

Fitchburg Gas & Electric Company
USC Charges Capitalized by Month for 2001

| | <u>Total USC Invoice</u> | <u>Amt Capitalized</u> |
|-----------|----------------------------|----------------------------|
| January | \$ 677,120 | \$ 117,797 |
| February | 637,233 | 104,638 |
| March | 658,402 | 101,601 |
| April | 556,780 | 90,741 |
| May | 625,702 | 105,825 |
| June | 645,191 | 115,758 |
| July | 580,876 | 116,467 |
| August | 602,126 | 128,644 |
| September | 596,596 | 115,742 |
| October | 676,899 | 133,829 |
| November | 606,895 | 121,025 |
| December | 600,230 | 112,269 |
| | <u>\$ 7,464,049</u> | <u>\$ 1,364,335</u> |

Source: Monthly USC invoices to Fitchburg Gas & Electric for 2001.

Subject: USC TIME CHARGE GUIDELINES **Policy Number: T/B/D**

TO: ALL USC Personnel

FROM: Laurence M. Brock, Controller

Effective: January 1, 2002

PURPOSE: This policy gives guidance to Unitil Service Corp., ("USC"), employees when submitting their time cards into the USC Time and Billing System.

OBJECTIVE: The proper charging of USC labor and overhead costs. The group of regulators that examine our USC time charges are: the SEC, the NHPUC, the FERC and the MDTE. Our Bondholders, Auditors and Internal Management Team also require the fair, accurate and reasonable charging of our annual USC budgeted costs. The SEC Examination Staff has recently issued recommendations concerning: the standardizing of allocation methodologies for particular service company departments, and the overall simplification of allocating costs.

GENERAL: Our Service Company Agreements are governed by the standards of the Public Utility Holding Company Act of 1935. Accordingly, USC employees should "Direct Charge" the USC Client Companies for services rendered. "Direct Charging" USC time means that all USC employees will record properly chargeable or allocable labor costs in the USC Time Billing System at least monthly. Each USC Department Manager will approve the employee time cards for their particular function to ensure they are in compliance with this policy and the current USC Time Charge Guidelines in effect for that fiscal year. (A copy of the 2001 USC Time Charge Guidelines is attached.)

It is considered good business practice under this policy for USC employees to:

- Direct Charge to Client Companies by USC function.
- Properly allocate charges between the New Hampshire and Massachusetts regulated jurisdictions.
- Properly allocate charges between Regulated and Non-Regulated business activities.
- Properly track time charges to any special project type work performed for the Client Companies.
- Limit direct time charges to the Service Company.

SPECIFIC TIME REPORTING STANDARDS: Our Service Company Agreements are governed by the standards of the Public Utility Holding Company Act of 1935. Accordingly, USC employees should "Direct Charge" the USC Client Companies for services rendered. All USC employees will record properly chargeable or allocable labor costs in the USC Time Billing System at least monthly. Each USC Department Manager will approve the employee time cards for their particular function to ensure they are in compliance with this policy and the current USC Time Charge Guidelines in effect for that fiscal year. (A copy of the 2001 USC Time Charge Guidelines is attached.)

- Employee should Direct Charge each client Company [i.e. Realty, Resources, Corporate, Service, Concord, Exeter, Power, and Fitchburg] his/her time by functional Job Order Numbers ("JON's").
- USC Employees perform regular and recurring functional duties for the Client Companies and those duties are performed under designated JON's for each Department/Function at USC.
- As a general rule for regular and recurring work performed for the Utility Client Companies, an employee should Direct Charge his/her time by functional JON, and allocate time charges among to the Utility Client Companies according to the standard **Departmental Allocators** indicated in the USC Time Charge Guidelines issued for the particular fiscal period. These guidelines will be updated as part of the annual budgeting process.
- Sometimes, designated employees may charge time to JON's for special projects. This will be the exception to the rule above. In those cases, employees should Direct Charge by JON, with prior specific approval of the Project Manager, to the specific JON and Client Company designated by the Project Manager.
- Employees should only Direct Charge time to the Service Company for vacation, holiday, sickness, personal, general or other category to JON's designated by the USC Director of Human Resources. There should be no exceptions to this rule unless prior approval is obtained from the VP & Controller of USC.
- Certain Executives will Direct Charge their time according to standard **Executive Allocators** established in each fiscal year budgeting process.
- Employees should Direct Charge time to activities performed for the Unitil System special purpose or non-regulated companies only after receiving specific prior approval from the employee's Department Manager. All USC Department Managers will approve such time charges based on prior approval from the Manager responsible for budgeting the special purpose activity or company's costs for the fiscal year.

INTERPRETATIONS AND ISSUE RESOLUTION UNDER THIS POLICY: All questions about the interpretation and implementation of this policy will be resolved by the Department Manager, the USC Controller, and the USC Director of Human Resources.

END

UNITIL Service Corp. Time Charge Guidelines 2001

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| DEPT | # | DEPT | DEPT MGR | % | | |
|------|----|-------------------------------|---------------------|--------------------|---------------|--------------------------|
| | | | | Standard Allocator | Non-recurring | Primary Allocator |
| | 1 | REGULATORY SERVICES | KAREN ASBURY | 90-100% | 0-10% | R/C/A 3-factor allocator |
| | 2 | BUSINESS DEVELOPMENT | FRED STEWART | 90-100% | 0-10% | R/C 2-factor allocator |
| | 3 | HUMAN RESOURCES | GEORGE LONG | 90-100% | 0-10% | Headcount/USC DL Billed |
| | 4 | ADMINISTRATIVE SERVICES | SANDY WHITNEY | 90-100% | 0-10% | R/C/A 3-factor allocator |
| | 7 | ADMINISTRATION | BOB SCHOENBERGER | 100% | n/a | Executive Allocator |
| | 8 | FINANCE | MARK COLLIN | 90-100% | 0-10% | R/C/A 3-factor allocator |
| | 9 | TECHNOLOGY SERVICES | TOM SMITH | 90-100% | 0-10% | R/C/A 3-factor allocator |
| | 10 | ACCOUNTING | LARRY BROCK | 90-100% | 0-10% | R/C/A 3-factor allocator |
| | 11 | CUSTOMER SERVICES | MARY JANE CLEVELAND | 90-100% | 0-10% | R/C 2-factor allocator |
| | 12 | ENGINEERING | TOM MEISSNER | 0-10% | 90-100% | T & D PLANT |
| | 13 | ENERGY PROCUREMENT | DAVE FOOTE | 0-10% | 90-100% | Energy Revenues |
| | 14 | PUBLIC AFFAIRS | GEORGE GANTZ | 90-100% | 0-10% | R/C 2-factor allocator |
| | 15 | FINANCIAL & CENTRAL SERVICES | TONY BARATTA | 90-100% | 0-10% | R/C/A 3-factor allocator |
| | 16 | ENERGY MARKETS | TODD BLACK | 0-50% | 0-50% | R/C 2-factor allocator |
| | 17 | ENERGY DISTRIBUTION | MIKE DALTON | 100% | n/a | Executive Allocator |
| | 20 | CUSTOMER OPERATIONS | LISA DESROCHERS | 90-100% | 0-10% | R/C 2-factor allocator |
| | 21 | CUSTOMER STANDARDS | MARK LAMBERT | 90-100% | 0-10% | R/C 2-factor allocator |
| | 22 | E & O SYSTEM & DEVELOPMENT | GLENN APPLETON | 0-10% | 90-100% | T & D PLANT |
| | 23 | E & O DISTRIBUTION OPERATIONS | CHUCK CHRISTENSEN | 0-10% | 90-100% | T & D PLANT |
| | 24 | COMMUNICATIONS | STEPHANYE SCHUYLER | 90-100% | 0-10% | R/C 2-factor allocator |